

AGREEMENT FOR THE SALE AND PURCHASE

OF

STATE ROYALTY OIL

to

MAPCO ALASKA PETROLEUM, INC.

THE STATE OF ALASKA
Department of Natural Resources

Dated as of March 6, 1998

AGREEMENT FOR THE SALE AND

PURCHASE OF ROYALTY OIL

THIS AGREEMENT is entered into as of March 6, 1998, by and between the State of Alaska (State) and Mapco Alaska Petroleum Inc., an Alaska corporation with its principal offices located at 3201 C Street, Anchorage, Alaska 99503 and Mapco Petroleum Inc., a Delaware corporation with its principal offices located 1800 South Baltimore Avenue, Tulsa, Oklahoma 74119 (collectively Mapco).

ARTICLE I

DEFINITIONS

As used in this Agreement, the terms listed below shall have the following meanings:

1.1 "Commissioner" means the Commissioner of the Alaska Department of Natural Resources or the Commissioner's designee.

1.2 "Daily Royalty Oil" means the quantity of Royalty Oil produced by the Lessees from the Prudhoe Bay Unit, as described in the Unit Agreement, in a Day.

1.3 "Day" means a period of twenty-four (24) consecutive hours, beginning at 12:01 a.m., Alaska Standard Time.

1.4 "Field Cost Agreement" means the Prudhoe Bay Royalty Settlement Agreement effective April 1, 1980.

1.5 "Leases" means the Oil and Gas leases subject to the terms of the Unit Agreement.

1.6 "Lessee" means a person, as "person" is defined in Alaska Statutes 01.10.060, owning a working interest in any of the Leases.

1.7 "Maximum Quantity" means the applicable annual percentage of Sale Oil that the State will deliver to Mapco under Article II.

1.8 "Month" means a period beginning at 12:01 a.m., Alaska Standard Time, on the first Day of the calendar Month and ending at 12:01 a.m., Alaska Standard Time, on the first Day of the following calendar Month.

1.9 "Point of Delivery" means the location where the State receives Royalty Oil in-kind from the Lessees, which is currently, under Article 2.3 of the Field Cost Agreement, the TAPS Pump Station No. 1 Prudhoe Bay Custody Transfer Meter ("Transfer Meter").

1.10 "Royalty Oil" means the total volume of crude petroleum oil and other hydrocarbons, including such substances as crude oil, condensate, natural gas liquids, or return oil from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended with crude oil before the Point of Delivery and tendered as a common stream by the Lessees to the State as Royalty Oil, the State may take in-kind at the Point of Delivery under the Leases as Royalty Oil regardless of whether the State is taking the Royalty Oil in-kind.

1.11 "Royalty Settlement Agreement" means any written royalty settlement agreement between the State and a Lessee that affects the Royalty Value of the State's Royalty Oil.

1.12 "Royalty Value" means an amount equal to the per barrel value the State would have received from the Lessees for its Royalty Oil if the State had taken its royalty in-

value instead of in-kind, plus any costs incurred by the State as a result of taking the royalty in-kind rather than in-value.

1.13 "Sale Oil" means all Royalty Oil the State has agreed to sell to Mapco and Mapco has agreed to purchase under this Agreement, whether from the Prudhoe Bay Unit or solely from the Initial Participating Areas of the Prudhoe Bay Unit.

1.14 "TAPS" means the Trans Alaska Pipeline System.

1.15 "Unit Agreement" means the Prudhoe Bay Unit Agreement effective April 1, 1977, by and between the Lessees and the State.

ARTICLE II

SALE OF ROYALTY OIL

2.1 Quantity.

2.1.1 Sale Oil Quantity. The State agrees to sell to Mapco and Mapco agrees to purchase from the State annually a Maximum Quantity of Sale Oil, which shall be a percentage of the Royalty Oil produced in the Prudhoe Bay Unit. If the State delivers Sale Oil produced from the total Prudhoe Bay Unit, Mapco agrees to purchase as Maximum Quantity the following percentages of the Daily Royalty Oil:

December 1, 1998 through December 31, 1999 - 27.0 percent;
January 1, 2000 through December 31, 2000 - 28.5 percent;
January 1, 2001 through December 31, 2001 - 30.0 percent;
January 1, 2002 through December 31, 2002 - 32.0 percent; and
January 1, 2003 through December 31, 2003 - 33.5 percent.

If the State elects under Article 2.1.5 to deliver Sale Oil produced solely from the Prudhoe Bay Unit Initial Participating Areas, Mapco agrees to purchase as Maximum Quantity the following

percentages of the Royalty Oil produced in a Day from the Prudhoe Bay Unit Initial

Participating Areas:

December 1, 1998 through December 31, 1999 - 33.8 percent;
January 1, 2000 through December 31, 2000 - 35.2 percent;
January 1, 2001 through December 31, 2001 - 36.6 percent;
January 1, 2002 through December 31, 2002 - 38.5 percent; and
January 1, 2003 through December 31, 2003 - 40.1 percent.

2.1.2 Reduction in Maximum Quantity. Mapco may elect one time annually to permanently reduce the Maximum Quantity of Sale Oil in effect. Mapco shall provide the State with a separate written notice of each election to reduce the Maximum Quantity of Sale Oil. Except when the additional notice provisions of Article 2.1.4 are invoked, a reduction in Maximum Quantity shall be effective on the first Day of the Month following expiration of a minimum of one hundred Days after written notice of the election is delivered to the State. The Maximum Quantity in effect may not be increased or reinstated at any time.

2.1.3 Monthly Nomination. Mapco may nominate to decrease or increase the quantity of Sale Oil it will purchase in a specified Month. Mapco shall provide the State with a separate written notice of each monthly nomination. Except when the additional notice provisions of Article 2.1.4 are invoked, a monthly nomination shall be effective on the first Day of the Month following expiration of a minimum of one hundred Days after written notice of Mapco's nomination is delivered to the State. In no event shall the total quantity of Sale Oil delivered to Mapco in a Month exceed the Maximum Quantity of Sale Oil in effect at the time of delivery.

2.1.4 Additional Notice Provisions. Mapco acknowledges that if a Lessee invokes the force majeure provisions of its Royalty Settlement Agreement, the State may

be required to give up to six Months notice to the Lessee prior to decreasing the State's nomination of Royalty Oil to be taken in-kind in any Month. If a Lessee invokes the force majeure terms of its Royalty Settlement Agreement because Mapco exercises its rights under Article 2.1.2 or Article 2.1.3, Mapco shall, for an additional ninety Days after the effective date of Mapco's one hundred Days written notice of the election or nomination, purchase the quantity of Sale Oil that Mapco was obligated to purchase in the Month immediately preceding the effective date of the election or nomination. If a Lessee invokes the force majeure terms of its Royalty Settlement Agreement, the State shall reduce the quantity of Sale Oil it delivers to Mapco only to the extent the Lessee honors the State's nomination, and the State shall not be obligated to further reduce the quantity of Sale Oil it delivers to Mapco until expiration of ninety days after the effective date of Mapco's one hundred Days written notice of the election or nomination.

2.1.5 Initial Participating Areas Quantity. The State may elect to deliver to Mapco and Mapco agrees to purchase from the State, Royalty Oil that is produced solely from the Prudhoe Bay Unit Initial Participating Areas, as defined in the Unit Agreement, rather than Royalty Oil from all participating areas and Leases within the Prudhoe Bay Unit. If the State elects to deliver to Mapco Royalty Oil produced solely from the Prudhoe Bay Unit Initial Participating Areas, Mapco agrees to purchase a Maximum Quantity of Sale Oil produced from the Prudhoe Bay Unit Initial Participating Areas.

2.1.6 Waiver of Specific Quantity. The volume of Royalty Oil available to the State may vary and may be interrupted from time to time depending on a variety of factors, including the rate of production from the Leases. The State disclaims and Mapco

waives, any guarantee, representation, or warranty, either express or implied, that a specific quantity of the total, daily, monthly, average, or aggregate volume of Royalty Oil will be delivered as Sale Oil under this Agreement. Mapco disclaims any interest in, or right to, stored Royalty Oil that the State is or may become entitled.

2.1.7 Underlifted or Stored Royalty Oil. If the State underlifts or stores Royalty Oil at the Prudhoe Bay Unit, or if the State recovers underlifted or stored Royalty Oil, the quantity of Sale Oil delivered under this Agreement shall be calculated as if no Royalty Oil were underlifted, stored or recovered.

2.1.8 State's Warranty of Title. The State warrants that it has good and marketable title to the Royalty Oil delivered and sold as Sale Oil under this Agreement.

2.2 Quality.

2.2.1 Quality of Sale Oil. The Royalty Oil the State delivers to Mapco as Sale Oil shall be of the same quality as the Royalty Oil from the Prudhoe Bay Unit delivered by the Lessees to the State at the Point of Delivery. The quality of the Royalty Oil delivered to the State, and thus, the quality of the Sale Oil the State delivers to Mapco may vary from time to time. The State disclaims, and Mapco waives, any guarantee, representation, or warranty, either expressed or implied, of merchantability, fitness for use, or suitability for any particular use or purpose, or otherwise, and of any specific, average, or overall quality or characteristic of Sale Oil delivered under this Agreement. Mapco specifically waives any claim that any liquid hydrocarbons, including such substances as crude oil, condensate, natural gas liquids, or return oil from the Prudhoe Bay Unit Crude Oil Topping Plant, that may be blended with crude oil

before the Point of Delivery and tendered as a common stream by the Lessees to the State as Royalty Oil, are not Sale Oil for purposes of this Agreement.

2.3 Price of the Sale Oil.

2.3.1 Price of Sale Oil. The price of Sale Oil the State delivers to Mapco each Month shall be the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit that Month plus \$.15 per barrel, or if the State delivers Sale Oil only from the Prudhoe Bay Unit Initial Participating Areas, the Royalty Value of all Royalty Oil from the Prudhoe Bay Unit Initial Participating Areas that Month plus \$.15 per barrel. Appendix A illustrates calculation of the price if Mapco had purchased Sale Oil during the Month of January, 1997.

2.3.2 Price Modifications. If, during the term of this Agreement, the Royalty Value is modified as a result of modification of a Royalty Settlement Agreement, a corresponding retroactive modification to the price of Sale Oil shall take effect on the same Day as the effective date of the Royalty Value modification. Interest, as set forth in Article 6.7, shall accrue retroactively on the amount of any overpayment or underpayment for Sale Oil resulting from the price modification from the effective date of the Royalty Value modification until the amount of the overpayment or underpayment, plus interest, is paid in full.

2.4 Reservation Fee. If, in any Month, Mapco does not nominate the Maximum Quantity of Sale Oil then in effect, in addition to payment of the price of the Sale Oil Mapco nominated in that Month, Mapco shall pay as a reservation fee an amount equal to .75 percent of the price per barrel, as determined under Article 2.3, on the difference in quantity between the Maximum Quantity of Sale Oil then in effect and the quantity of Sale Oil Mapco nominated in that Month.

2.5 Reopeners.

2.5.1 Non-Intervention. Mapco shall not intervene or otherwise participate in any way in any reopeners, negotiations or other discussions under or pertaining to any Royalty Settlement Agreement, in any current or future royalty settlement negotiations, agreements, reopeners, litigation or other proceedings between the State and a Lessee, nor shall Mapco have any independent right to invoke any provision of a Royalty Settlement Agreement.

2.5.2 Notice of Reopeners. Because of the potential for an increase in the price of Sale Oil as a result of any modifications of a Royalty Settlement Agreement, the State shall provide Mapco with written notice of any modification or reopener request initiated by BP, ARCO, Exxon or the State. The notice may include information on the nature of the requested modification, the requested effective date of the modification, and the position taken by BP, ARCO, or Exxon and the State.

2.5.3 Binding Effect. Mapco agrees to be conclusively bound by the terms of any modification, whether made under reopener provisions or otherwise, of a Royalty Settlement Agreement, and by the terms of any judgment or settlement resulting from any future royalty settlement agreement, regardless of whether Mapco agrees with or consents to the terms of the modification, reopener, judgment, or settlement.

2.6 Delivery of Sale Oil.

2.6.1 Date of First Delivery. The State will tender first delivery of the Sale Oil to Mapco at the Point of Delivery on December 1, 1998.

2.6.2 Subsequent Deliveries. After the first delivery, the State shall thereafter tender delivery of the Sale Oil to Mapco at the Point of Delivery immediately upon the State's receipt of the Royalty Oil from the Lessees.

2.7 Passage of Title and Risk of Loss. Title to, and risk of loss of, the Sale Oil shall pass from the State to Mapco for all purposes when the State tenders delivery of the Sale Oil to Mapco at the Point of Delivery. Mapco shall bear all risk and responsibility for the Sale Oil after passage of title.

2.8 Indemnification After Passage of Title. Mapco shall indemnify and hold the State harmless from and against any and all claims, costs, damages (including reasonably foreseeable consequential damages), expenses, or causes of action arising from or related to any transaction or event in any way related to the Sale Oil after title has passed to Mapco.

2.9 Transportation Arrangements. Mapco shall make all arrangements for transportation of the Sale Oil from the Point of Delivery, through and away from the TAPS, and shall be responsible for any TAPS pipeline fill and storage tank bottom requirements related to transportation of the Sale Oil after passage of title. Upon the State's request, Mapco shall provide the State with evidence or other reasonable assurance of: 1) the arrangements for transportation of the Sale Oil from the Point of Delivery, through and away from the TAPS; 2) arrangements for resale, exchange, or other disposal of the Sale Oil; and 3) if requested, information on specific deliveries of Sale Oil by Mapco to the TAPS and identification of tankers that will transport the Sale Oil. Mapco's failure to provide information, evidence, or assurances requested by the State shall, at the State's election and after notice to Mapco, constitutes a material default under this Agreement.

2.10 Absolute Obligations. Mapco's obligations to provide security as required by Article XVI, pay reservation fees, and purchase, transport and dispose of Sale Oil are absolute. These obligations shall not be excused or discharged by the operation of any disability of Mapco, event of force majeure, impracticability of performance, change in conditions, or other reason or cause.

ARTICLE III

IN-STATE PROCESSING

3.1 In-State Processing. Mapco shall use its best efforts to insure that Sale Oil will be processed at its Alaska refinery or be exchanged for other crude oil that will be processed at its Alaska refinery. Except as provided in Article 3.3, Mapco shall process not less than 80 percent of the of Sale Oil its Alaska refinery. "Process" means the manufacture of refined petroleum products.

3.2 Exchanges of Crude Oil. Mapco may enter into agreements to exchange Sale Oil for other crude oil only as provided in this Article. An exchange of Sale Oil for other crude oil may not reduce the price Mapco has agreed to pay the State for the Sale Oil or result in any cost or expense to the State. "Exchange" means: 1) a direct trade of Sale Oil for an equal volume of other crude oil; 2) a direct trade of Sale Oil for other crude oil that involves either cash or volume adjustments, or both, based solely on differences in the quality or location of the crude oils exchanged; 3) sequential transactions in which Mapco trades Sale Oil to one party and, in exchange, receives crude oil from a party other than the party to whom Mapco traded the Sale Oil; and 4) matching purchases and sales of Sale Oil for other crude oil.

3.3 Waiver of In-State Processing Requirement. The Commissioner may, in the Commissioner's sole discretion, waive the in-state processing requirement, in whole or in part, if the Commissioner is satisfied that Mapco is using its best efforts to fulfill its Article 3.1 obligations.

ARTICLE IV

MAPCO'S REPRESENTATIONS AND OBLIGATIONS

4.1 Good Standing and Due Authorization. Mapco warrants that it is, and shall remain at all times during the term of this Agreement: 1) a corporation organized and existing under the laws of the United States or of a state, territory or the District of Columbia; 2) qualified to do business in Alaska; and 3) in good standing with the State. Mapco warrants that it has all corporate power and authority necessary, and has performed all corporate action required, to enter into and fulfill its obligations under this Agreement.

4.2 Financial Condition. Mapco warrants that all financial information submitted to the State: 1) is complete, accurate, and fairly represents Mapco's financial condition at the time of submission; and 2) there has been no material change in Mapco's financial condition, business operations, or properties since it submitted the financial information to the State. Mapco warrants that the financial information was prepared in accordance with generally accepted accounting principles. Mapco shall immediately inform the State of any material change in its financial condition, business operations, agreements, or property that may affect its ability to perform its obligations under this Agreement. Mapco shall immediately inform the State of any significant change in ownership of Mapco, or of Mapco's parent company or affiliates.

4.3 Financial Statements. Within one hundred and twenty Days after the end of its fiscal year, Mapco shall, at its own cost and expense, submit to the State a complete financial report in a form or forms prescribed by the State. The report shall include Mapco's balance sheet as of the close of the fiscal year and the income statement for that year prepared in

accordance with generally accepted accounting principles. Mapco may comply with this requirement by submitting a copy of Mapco Petroleum Corporation's annual report filed with the United States Securities and Exchange Commission pursuant to Sec. 13 or 15(d) of the Security Exchange Act of 1934.

ARTICLE V

MEASUREMENTS

5.1 Measurements. The quantity and quality of Sale Oil the State delivers under this Agreement shall be determined by measurement at the Transfer Meter at the Point of Delivery. Procedures used for metering and measuring the Sale Oil shall be in accordance with the procedures in effect in the Prudhoe Bay Unit.

ARTICLE VI

INVOICING AND PAYMENT

6.1 Production Month Invoices. On or before the tenth business day of each Month after the first Month of delivery of Sale Oil, the State shall send to Mapco, a statement of account with an invoice for the total amount due for the estimated quantity of Sale Oil delivered to Mapco during the immediately preceding Month and the estimated price applicable to those deliveries. The State will base its estimates on the best information reasonably available to the State. The State shall adjust production month invoices as provided in Article 6.3 and Article 6.5.

6.2 Payment of Production Month Invoices. Mapco shall pay the total amount of each production month invoice, in full, on or before the third business Day after the date of the statement of account that includes the invoice. Any amount not paid in full on or before the third business Day after the date of the statement of account, shall accrue interest as provided in Article 6.7, and become subject to the late payment provisions of Article 6.9, and any other remedies available to the State under this Agreement and at law.

6.3 Initial Adjustments. Mapco acknowledges that any time after a production month invoice is sent, the State may receive more accurate information concerning the actual quantity and price for Sale Oil delivered to Mapco in that Month. Mapco agrees that any time such information becomes available to the State, in the next statement of account the State may make initial adjustments to the immediately preceding invoice, and invoice Mapco for the initial adjustments, plus interest as provided in Article 6.7 on the amount of any adjustment.

6.4 Payment of Initial Adjustments. Mapco shall pay the total amount of each initial adjustment invoice, plus interest as provided in Article 6.7, in full, on or before the third business Day after the date of the statement of account that includes the initial adjustment invoice. If an adjustment is due to Mapco for an overpayment, the State shall credit or refund to Mapco the amount of the overpayment, plus interest as provided in Article 6.7, on or before the third business Day after the date of the statement of account that includes the initial adjustment invoice. Any amount Mapco does not pay in full when due shall become subject to the late payment provisions of Article 6.9, and any other remedies available to the State under this Agreement and at law.

6.5 Subsequent Adjustments. Mapco acknowledges that any time after production month and initial adjustment invoices are sent, the State may receive more accurate information concerning the actual quantity and price for Sale Oil delivered to Mapco in any Month. Mapco agrees that any time more accurate information becomes available to the State, the State shall make subsequent adjustments to amounts previously invoiced in production month or initial adjustment invoices, and send Mapco a statement of account with a subsequent adjustment invoice for the amount of any adjustments to the previous invoices, plus interest on any adjusted amount as provided in Article 6.7.

6.6 Payment of Subsequent Adjustments. Mapco shall pay in full the total amount of each subsequent adjustment invoice, plus interest as provided in Article 6.7, on or before the thirtieth Day after the date of the statement of account that includes the subsequent adjustment invoice. If an adjustment is due to Mapco for an overpayment, the State shall credit or refund to Mapco the amount of the overpayment, plus interest as provided in Article 6.7, on or before the thirtieth Day after the date of the statement of account that includes the adjustment invoice. Any amount Mapco does not pay in full when due shall become subject to the late payment provisions of Article 6.9, and any other remedies available to the State under this Agreement and at law.

6.7 Interest. All amounts Mapco does not pay in full when due under this Agreement, and all amounts invoiced as adjustments for underpayments and overpayments for Sale Oil delivered to Mapco, shall bear interest from the date accrued until paid in full at the rate provided by Alaska Statute 38.05.135(d), or as that statutory provision may later be amended. In this Agreement "date accrued" means the third business day after the date of the statement of

account that contains the production month invoice to which the initial or subsequent adjustment applies. Appendices A and B illustrate accrual of interest.

6.8 Non-termination and limitations. Mapco acknowledges that the State may continue to make subsequent adjustments after termination of this Agreement, and agrees that the provisions of Article VI shall survive termination of this Agreement for any reason. The amount of a subsequent adjustment rendered more than six years after the date of delivery of the Sale Oil upon which it is based, shall bear interest for no more than six years from the date accrued, as defined in Article 6.7. The six year limitation on interest shall not apply to payments Mapco fails to make when due or to subsequent adjustments resulting from: 1) regulatory, reopener, or court (including appeals) proceedings commenced during the six year period, regardless of whether Mapco or the State is a party; or 2) bona fide audits of a Lessee commenced by the State within the six year period.

6.9 Late Payment Penalty. In addition to all other remedies available to the State, if Mapco fails to make timely payment in full of any amount due, in addition to the amount not paid when due, plus interest as provided in Article 6.7 from the date accrued until paid in full, Mapco shall pay the State an amount equal to five percent of the amount not paid as a late payment penalty. Appendix B contains an illustrative example of interest and late payment penalties.

6.10 Disputed Payments. If a dispute arises concerning the amount of an invoice, Mapco agrees to pay the full amount of the invoice when due pending final resolution of the dispute.

6.11 Confidential Information. The State and Mapco agree that the State may invoice Mapco for, and Mapco agrees to pay, amounts that are based upon confidential information held or received by the State. If confidential information is used as the basis for an invoice, upon receipt of a written request from Mapco, the State shall furnish to Mapco a certified statement of the Commissioner to the effect that, based upon the best information available to the State, the invoiced amounts are correct.

6.12 Manner of Payment. Mapco shall pay all invoices in full within the times specified and without any deduction, set off, or withholding. Mapco shall pay all invoices by wire transfer of immediately available funds to the State's account at the following address :

State Street Bank & Trust Company
Boston, Massachusetts
ABA #011000028
For credit to the State of Alaska
General Investment Fund, AY01
Account #00657189
Attn: Kim Chan, Public Funds

Mapco may pay an invoice in such other manner or to such other address the State has specified in an invoice or by other written notice. All other payments due shall be paid in the same manner and according to the same time schedule provided in this Article. If payment falls due on a Saturday, Sunday, or legal federal holiday, payment shall be made on the next business Day.

6.12.1 Direct Payment to Lessees. If the State directs Mapco in an invoice or other writing to remit all or a portion of a payment required under this Agreement directly to one or more of the Lessees, Mapco shall remit the payment to the Lessee or Lessees in the manner designated by the State, and within the time limits specified in Article VI. The State may, in writing, authorize a Lessee to request direct remittance of all or a portion of a payment due under this Agreement, and to designate the manner for payment. Unless otherwise specified by the State in writing, the balance of a direct partial payment to a Lessee, and all subsequent payments, shall be made to the State in accordance with Article VI.

6.12.2 Direct Payment to Other Third Parties. Upon a determination by the State that remittance to a third party of an amount due under this Agreement will assist the State in monitoring or enforcing the Agreement, the State may direct Mapco in an invoice or other writing to remit all or a portion of a payment due under this Agreement directly to a designated third party other than a Lessee, and Mapco shall remit the payment to the designated

third party in the manner designated by the State, and within the time limits specified in Article VI. Unless otherwise specified by the State in writing, the balance of a direct partial payment to a third party, and all subsequent payments, shall be made to the State in accordance with Article VI.

ARTICLE VII

EFFECTIVE DATE AND TERM

7.1 Condition Precedent to Effective Date. This Agreement is subject to approval under Alaska Statute 38.06.055 as a condition precedent to becoming effective. After the State and Mapco have entered into this Agreement, it shall become effective and enforceable on the date upon which it is approved pursuant to Alaska Statute 38.06.055.

7.2 Term. The State shall begin deliveries of Sale Oil under this Agreement on December 1, 1998. This Agreement shall terminate at the end of the Day on December 31, 2003. Termination of this Agreement shall not relieve either party from any expense, liability, or other obligation or any remedy that has accrued or attached prior to the date of termination. The provisions of Article VI shall survive termination of this Agreement.

ARTICLE VIII

DEFAULT OR TERMINATION

8.1 Default.

8.1.1 Events of Default. The Commissioner may, in the Commissioner's sole discretion, suspend or terminate the State's obligations to tender, deliver and sell Sale Oil to

Mapco, and may exercise any one or more of the rights and remedies provided in this Agreement, or at law, if any one or more of the following events of default occur:

- (i) Except as otherwise provided in Article VIII, Mapco fails to perform any of its obligations under this Agreement, and cannot cure the non-performance or the non-performance continues for more than thirty Days after the State has notified Mapco of its non-performance;
- (ii) Within five Days after written request from the State, Mapco fails to provide written assurances satisfactory to the State of its intention to perform its obligations under this Agreement and evidence or assurances of transportation arrangements under Article 2.9;
- (iii) Mapco fails to pay in full any sum of money owed under this Agreement within one business day after the State gives Mapco notice that payment is due and has not been paid;
- (iv) There is a substantial change in Mapco's financial condition, business operations, agreements, or property, or ownership that may affect Mapco's ability to perform its obligations under this Agreement, and within five Days after a request by the State, Mapco is unable or unwilling to provide the State with adequate assurance of continued performance;

- (v) Any representation or warranty made by Mapco in this Agreement is found to have been materially false or incorrect when made; or
- (vi) Mapco fails, or is unable for any reason (including reasons beyond Mapco's control), to maintain the security letter of credit required under Article XVI, regardless of Mapco's willingness or ability to perform any other obligations under this Agreement.

8.1.2 Default by Failure to Pay. Mapco shall immediately provide the State with written notice if Mapco is unable to pay any of its debts when due or is otherwise insolvent. Upon such notice from Mapco, or if the State independently determines that Mapco is unable to pay any of its debts when due or is otherwise insolvent, the State's obligations to deliver and sell Sale Oil to Mapco shall automatically and immediately terminate without any requirement of notice to Mapco or other action by the State. Upon termination of the State's obligations under this Article, Mapco shall be liable for payment and performance of all its obligations for Sale Oil the State delivered to Mapco before termination and for a minimum of one hundred Days after termination, plus an additional ninety days if a Lessee invokes the force majeure term of its Royalty Settlement Agreement. Within thirty days after termination under Article 8.1.2, the State shall have the right, upon written notice to Mapco, to reinstate all of the State's and Mapco's obligations under this Agreement retroactive to the date of termination.

8.2 State's Remedies. If Mapco defaults under this Agreement, in addition to all other remedies available to the State under this Agreement and or at law, the following remedies shall be available to the State in the Commissioner's sole discretion.

8.2.1 Mapco's Obligations Become Due. All monetary obligations Mapco has accrued under this Agreement, even if not yet due and payable, shall immediately be due and payable in full.

8.2.2 State May Dispose of Sale Oil. Until Mapco's default is cured or this Agreement terminates, the State may dispose of the Sale Oil to third parties and may suspend the in-state processing obligations. If the State exercises either of these remedies, regardless whether this Agreement is terminated, Mapco shall be and remain liable to the State for the amount of difference between the price for the Sale Oil under Article II and the actual price the State received from disposition of the Sale Oil to third parties.

8.2.3 Indemnification for Loss. Mapco shall hold the State harmless and indemnify it against all liability, damages, expenses, attorney's fees and costs, and losses arising out of Mapco's default, termination of the State's obligations, disposal of the Sale Oil to third parties, and suspension of the in-state processing requirements.

8.2.4 Other Rights and remedies. The State shall have the right cumulatively to exercise all rights and remedies provided in this Agreement and by law, and obtain all other relief available under law or at equity, including mandatory injunction and specific performance.

8.3 Limitation of Mapco's Remedies. If the State breaches or defaults any of its obligations under this Agreement, Mapco shall not obtain a temporary restraining order or preliminary injunction preventing the State from disposing of the Sale Oil subject to this Agreement.

8.4 Termination. Termination shall become effective upon the first Day of the Month following expiration of a minimum of one hundred Days after Mapco's written notice of termination is delivered to the State. If, however, the additional notice provisions of Article 2.1.4 are invoked, termination shall become effective upon the first Day of the Month following expiration of six Months and ten Days after Mapco's written notice of termination is delivered to the State. Termination shall not relieve either party from any expense, liability, other obligation, or remedy that has accrued or attached prior to termination. The provisions of Article VI shall survive termination of this Agreement.

ARTICLE IX

DISPOSITION OF OIL

9.1 Disposition of Oil Upon Default or Termination. Mapco acknowledges that the State may be required to provide six Months notice to the Lessees before the State may decrease its in-kind nomination of Royalty Oil in any Month. It is within the Commissioner's sole discretion to request a waiver of any notice provision, condition, or requirement of a Lease or Royalty Settlement Agreement. If this Agreement terminates for default or any other reason, Mapco shall continue to accept and pay for Sale Oil through the first Day of the Month following expiration of a minimum of one hundred Days after the date of termination, if the Commissioner, in the Commissioner's sole discretion so requires. If, however, the additional notice provisions of Article 2.1.4 are invoked, Mapco shall continue to accept and pay for Sale Oil until the expiration of six Months and ten Days after the Date of default or notice of termination.

9.2 Inability to Receive Sale Oil. If Mapco is unable or refuses to accept or receive Sale Oil, Mapco shall nevertheless remain liable for disposal and payment for Sale Oil as though it had been accepted by Mapco. The Commissioner may, in the Commissioner's sole discretion, waive this requirement.

9.3 Security for Disposal of Sale Oil. To secure Mapco's obligations to purchase and dispose of Sale Oil, upon the Commissioner's request, Mapco shall assign or otherwise transfer to the State, or its designee, all or part of Mapco's right, title and interest in any arrangements for transportation of the Sale Oil through and away from the TAPS, whether such interests are under nominations, leases, contracts, charter parties, or other agreements. The State will incur liability or obligations under such assignment or transfer only to the extent the State actually exercises its rights to succeed to Mapco's interests under and obtain the benefits of the assignments.

ARTICLE X

NONWAIVER

10.1 Nonwaiver. The failure of either party to insist upon strict or a certain performance, or acceptance by either party of a certain performance or course of performance under this Agreement shall not: 1) constitute a waiver or estoppel of the right to require certain performance or claim breach by similar performance in the future; 2) affect the right of either party to enforce any provision; or 3) affect the validity of any part of this Agreement.

ARTICLE XI

SEVERABILITY

11.1 Severability. If a court decrees any provision of this Agreement to be invalid, all other provisions of this Agreement shall remain valid. If, however, invalidation of a provision impairs a material right or remedy under this Agreement, either party may terminate this Agreement by notice to the other party as provided under Article 8.4.

ARTICLE XII

FORCE MAJEURE

12.1 Effect of Force Majeure. Except for Mapco's absolute obligations to provide security, pay reservation fees, and purchase, transport and dispose of Sale Oil, neither party shall be liable for failure to perform if performance is substantially prevented by force majeure after good faith efforts to perform. Except, however, if Mapco is prevented by force majeure from performing any material obligation for sixty successive days or more, the State, in the Commissioner's sole discretion, shall have the right to terminate this Agreement. Before the State exercises this right, the Commissioner may require Mapco to negotiate in good faith to restore performance. In this Agreement the term "force majeure" means an event or condition not within the reasonable control of the party claiming the benefit of the excuse.

12.2 Notice of Force Majeure. If a party believes that force majeure has occurred, the party shall immediately notify the other party of its claim of force majeure. The party claiming force majeure shall use reasonable diligence to remedy the force majeure. Except for Mapco's absolute obligations to provide security, pay reservation fees, and purchase, transport and dispose of Sale Oil, the disabled party's obligations to perform that are affected by the force majeure shall be suspended from the time of notification to the other party until the disability caused by the force majeure should have been remedied with reasonable diligence.

ARTICLE XIII

NOTICES

13.1 Method. Unless otherwise specifically provided in this Agreement, all notices, requests, demands or statements shall be in writing and delivered to the address specified in this Article in person, by telecopier or other form of facsimile, by United States mail, postage prepaid, registered or certified with a return receipt requested, to the party to be notified. A statement of account the State delivers to Mapco by telecopy shall be deemed delivered to Mapco when the State's telecopier confirms that it was received at Mapco's telecopy number during normal business hours. A notice, request, demand or statement delivered by United States mail shall be deemed delivered on the earlier of expiration of seven Days after it is deposited in the mail, or upon the date of receipt by the party to whom it is directed. A notice, request, demand or statement delivered in any other manner shall be effective only if and when received by the party to whom it is directed. The address of the parties shall be as follows.

State:

State of Alaska
Commissioner of Natural Resources
400 Willoughby Avenue
Juneau, Alaska 99801

and

Director, Division of Oil and Gas
3601 C Street, Suite 1380
Anchorage, Alaska 99503-5948
Telecopy Number: (907)562-3852

Mapco:

President
Mapco Alaska Petroleum Inc.
3201 C Street, Suite 700

Anchorage, Alaska 99503-3960
Telecopy Number: (907)273-3333

13.2 Change of Address. Each party may notify the other of changes to its address by delivering written notice of the change.

ARTICLE XIV

RULES AND REGULATIONS

14.1 Rules and Regulations. This Agreement is subject to all applicable laws of the State of Alaska, and orders, rules and regulations of the United States, the State of Alaska, and any duly constituted agency of the State of Alaska.

ARTICLE XV

SOVEREIGN POWER OF THE STATE

15.1 Sovereign Power of the State. This Agreement shall not be interpreted to limit in any way the State's ability to exercise any sovereign or regulatory powers, whether conferred by constitution, statute or regulation. The State's exercise of any sovereign or regulatory power shall not be deemed to enlarge any of Mapco's rights, or limit any of Mapco's obligations or liabilities under this Agreement.

ARTICLE XVI

SECURITY

16.1 Letter of Credit. Seventy five Days before the Date of First Delivery, Mapco shall deliver to the State an irrevocable stand-by letter of credit (hereafter the "Letter").

The Letter shall be in a form satisfactory to the Commissioner and shall be in effect by the Date of First Delivery. It shall be issued for the benefit of the State by a state or national banking institution of the United States that is insured by the Federal Deposit Insurance Corporation and has an aggregate capital and surplus amount of not less than One Hundred Million Dollars (\$100,000,000) (hereafter the "Issuer"), or other banking institution acceptable to the Commissioner. The principal face amount of the Letter shall be an amount estimated by the Commissioner to be equal to the value of all Sale Oil to be delivered by the State to Mapco during the seventy five Days immediately following the Date of First Delivery. The Letter shall not require the State to submit any documentation in support of drafts drawn against it other than a certified statement by the Commissioner and the State's Attorney General that Mapco is liable to the State for an amount of money equal to the amount of the draft, that the amount of money is due and payable in full, and it has not been timely paid.

The Letter shall provide that the State has the right to draw and present drafts to the Issuer through the seventy-fifth Day after the State's last delivery of Sale Oil to Mapco under this Agreement. The Letter shall be renewed under the terms of this Article no later than seventy five Days before its expiration date so that a Letter is in effect continuously from the Date of First Delivery through the seventy-fifth Day after the date of the State's last delivery of Sale Oil to Mapco. If the State does not receive a renewed Letter seventy five Days before the expiration of the existing letter of credit: 1) Mapco shall be deemed to have materially breached this Agreement; 2) a default under Article VIII will have occurred; and 3) all Mapco's obligations, expenses and liabilities accrued as of that date, whether yet due and payable, shall become immediately due and payable in full.

If the State asserts a claim or claims that equal a total amount of money greater than the principal face amount of the Letter in effect, Mapco shall, upon the State's request, cause the principal face amount of the Letter to be increased by an amount sufficient to secure the total amount of the State's claims. Mapco is subject to this obligation even if Mapco denies, rejects, or otherwise contests the State's claims.

If the principal face amount of the effective letter of credit is ever less than the estimated price of seventy five Days of Sale Oil deliveries, Mapco shall automatically and immediately cause the principal face amount of the effective Letter to be increased to an amount equal to the estimated price of seventy five Days delivery of Sale Oil. If the principal face amount of the effective Letter is greater than the estimated price of seventy five Days delivery of Sale Oil, upon written approval of the Commissioner, in the Commissioner's sole discretion, Mapco may decrease the principal face amount of the Letter to an amount equal to the estimated price of seventy five Days delivery of Sale Oil.

16.2 Security Contract. Upon approval by the Commissioner, in the Commissioner's sole discretion, as alternative security to the Letter required in Article 16.1, Mapco may deliver to the State: 1) an irrevocable stand-by letter of credit in the principal face amount estimated by the Commissioner to be equal to the value of Sale Oil to be delivered by the State to Mapco during the forty Days immediately following the Date of First Delivery; and 2) an irrevocable contract between a major oil company (hereafter the "Promisor") and Mapco, for the direct benefit of the State, in which the Promisor agrees to assume full liability for Sale Oil upon notice that Mapco is in default of this Agreement (hereafter "Security Contract"). The forty Day letter of credit shall be subject to all the terms and conditions of Article 16.1. The

Security Contract shall designate the State as intended third party beneficiary and shall be in effect by the Date of First Delivery. It shall provide that upon written notice by the Commissioner to Mapco and the Promisor that Mapco is in default of this Agreement, the Promisor shall immediately assume full liability for purchase, transportation and disposal of a minimum of ninety Days deliveries of Sale Oil from the Point of Delivery. If, however, a Lessee invokes the force majeure terms of its Royalty Settlement Agreement, the Promisor shall be liable for a total of one hundred and eighty days deliveries of Sale Oil. It shall provide the State a direct right of action against Mapco and the Promisor, jointly and severally, to enforce the Security Contract, regardless of whether the State takes action to enforce this Agreement against Mapco. It shall also provide that the Promisor has no right of action against the State and may not assert against the State any defense it may have against Mapco under the Security Contract.

16.3 Other Security. The Commissioner may, in the Commissioner's sole discretion, require such other or additional security from Mapco as the Commissioner considers adequate to protect the State's interest.

ARTICLE XVII

EMPLOYMENT OF ALASKA RESIDENTS

17.1 Employment of Alaska Residents. Mapco shall comply with all valid federal, state and local laws in hiring Alaska residents and companies, and shall not discriminate against Alaska residents and companies. Within the constraints of law, Mapco voluntarily agrees to employ Alaska residents and Alaska companies to the extent they are available, willing and qualified for work performed in Alaska in connection with this Agreement. "Alaska

resident" means an individual who is physically present in Alaska with the intent to remain in the state indefinitely. An individual may demonstrate an intent to remain in the state by maintaining a residence in the state, possessing a resident fishing, trapping, or hunting license or receiving a permanent fund dividend. "Alaska companies" means companies incorporated in Alaska or whose principal place of business is in Alaska. If a court invalidates any portion of this provision, Mapco agrees to employ Alaska residents and Alaska companies to the extent permitted by law.

ARTICLE XVIII

APPLICABLE LAW

18.1 Governing Law. This Agreement, and all matters arising from or related to this Agreement, shall be governed, construed and determined by the laws of the State of Alaska.

18.2 Jurisdiction. Any legal action or proceeding arising out of or related to this Agreement shall be brought in a state court of general jurisdiction sitting in the State of Alaska, and Mapco hereby irrevocably submits to the jurisdiction of that court in any such action or proceeding.

18.3 Venue. The parties agree that the venue for any legal action or proceeding arising out of or related to this Agreement shall be in the Alaska Superior Court sitting in Anchorage, Alaska.

ARTICLE XIX

WARRANTIES

19.1 Warranties. The purchase and sale of Royalty Oil under this Agreement are subject only to the warranties the State has expressly set forth in this Agreement. The State disclaims and Mapco waives all other warranties, express or implied in law.

ARTICLE XX

AMENDMENT

20.1 Amendment. This Agreement may be supplemented, amended, or modified only by written instrument duly executed by the parties.

ARTICLE XXI

SUCCESSORS AND ASSIGNS

21.1 Successors and Assigns. No assignment, pledge, or encumbrance of this Agreement shall be made by either party without first obtaining the written consent of the other party, which shall not be unreasonably withheld. The Commissioner may consent on behalf of the State. Subject to the requirement of written consent, this Agreement shall be binding upon and inure to the benefit of each of the parties and their successors and permitted assignees.

ARTICLE XXII

RECORDS

22.1 Preservation of Records. Mapco shall maintain and preserve all books, accounts, and records that relate to or arise from performance of this Agreement for six years from the date of the transaction or date of the latest adjustment relating to the transaction, including transactions for purchase or sale of Sale Oil and its refined products. Mapco shall also maintain and preserve all books, accounts, and records, in its possession or control, that belong to any third party with whom Mapco contracts for the performance of any part of this Agreement. Mapco and the State shall not be required to retain any records for more than six years from the time of a transaction unless retention of such records is specifically required by applicable law or regulation, or this Agreement. Mapco shall maintain its records within the State or make the records available to the State at Mapco's principal office in the State within thirty Days after written request by the State.

22.2 Inspection of Records. Mapco and the State shall each accord to the other and the other's authorized agents, attorneys, and auditors access during reasonable business hours to any and all property, records, books, documents, or indices related to Mapco's or the State's performance under this Agreement and which are under possession or control of the party from which access is sought, so the other party may inspect, photograph and make copies of the property, records, books, documents or indices. The State shall not be required to disclose any information, data, or records that are required by State or federal law or regulation, or by agreement with the person supplying the record, to be held confidential. If information the State obtains from Mapco may be held confidential under State or federal law or regulation, Mapco

must request in writing that the State hold the information confidential, and the State shall keep the information confidential to the extent and for the term provided by the applicable law or regulation.

ARTICLE XXIII

INTERPRETATION OF TERMS AND CONDITIONS

23.1 Interpretation of Terms and Conditions. Any disagreement or dispute about the meaning or application of a word, term, or condition in this Agreement shall be decided according to the dispute resolution procedure set forth in this Article. The procedure set forth in this Article shall be initiated by either party providing written notice of the disagreement or dispute to the other party. No later than 60 Days after either party provides written notice, Mapco and the State shall each present any arguments and evidence supporting its view of the disputed term or condition in writing to the Commissioner for consideration. Mapco shall not have the right to civil litigation-type discovery or a civil litigation-type trial with the right to call or cross-examine witnesses unless granted by the Commissioner, after request. Within thirty Days after both parties submit their arguments and evidence, the Commissioner shall issue a finding interpreting the meaning or application of the disputed word, term, or condition, and shall set forth the basis for the conclusions. Mapco agrees to accept findings of the Commissioner under this Article that are reasonable and not arbitrary.

ARTICLE XXIV

COUNTERPARTS

24.1 Counterparts. This Agreement may be executed in multiple counterparts. It is not necessary for the parties to sign the same counterpart. Each duly executed counterpart shall be deemed to be an original and all executed counterparts taken together shall be considered to be one and the same instrument.

SIGNATURES

the State:

THE STATE OF ALASKA

Commissioner
Department of Natural Resources

Date:

Mapco Alaska Petroleum Inc.

MAPCO ALASKA PETROLEUM Inc.

By:

Its:

Date:

Mapco Petroleum Inc.

MAPCO PETROLEUM Inc.

By:

Its:

Date:

ACKNOWLEDGMENT

State of Alaska)
)
Third Judicial District) ss.

THIS IS TO CERTIFY that on the _____ day of _____, 1998, before me, appeared John T. Shively, the commissioner, Department of Natural Resources, State of Alaska; that John T. Shively executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Notary Public in and for Alaska
My commission expires:

ACKNOWLEDGMENT

THIS IS TO CERTIFY that on the _____ day of _____, 1998, before me, appeared Randy M. Newcomer of Mapco Alaska Petroleum Inc., Anchorage, Alaska; that Randy M. Newcomer executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Notary Public in and for Oklahoma
My commission expires:

ACKNOWLEDGMENT

THIS IS TO CERTIFY that on the _____ day of _____, 1998, before me, appeared Randy M. Newcomer of Mapco Petroleum Inc., Tulsa, Oklahoma; that Randy M. Newcomer executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this agreement first above written.

Notary Public in and for Oklahoma
My commission expires: